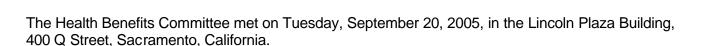


MINUTES OF MEETING

September 20, 2005



The meeting was called to order at 10:00 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair
Ron Alvarado
James Zerio representing Philip Angelides
Robert Carlson
Rob Feckner
Michael Navarro
Charles Valdes
Joy Higa representing Steve Westly

Other Board members present:

Kurato Shimada Marjorie Berte Tony Oliveira

AGENDA ITEM 2 – ANNOUNCEMENT OF CLOSED SESSION TO DISCUSS 2007 HEALTH PLAN CONTRACT NEGOTIATIONS

George Diehr, Chair, Health Benefits Committee, announced that a closed session to discuss 2007 health plan contract negotiations would be held upon the conclusion of all Health Benefits Committee agenda items except numbers eight, Medicare Part D Implementation, and thirteen, Public Comments.

AGENDA ITEM 3 – APPROVAL OF AUGUST 16, 2005 HEALTH BENEFITS COMMITTEE MEETING MINUTES

The minutes were approved as presented.

AGENDA ITEM 4 – UPDATE ON PARTNERSHIP FOR CHANGE: PROMOTING VALUE IN HOSPITAL CARE – PURCHASERS' CONFERENCE

As an information item, Loren Suter, Senior Strategic Advisor, presented an update on the Partnership for Change: Promoting Value in Hospital Care - Purchasers' Conference. In February

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2005, the Board approved two efforts which have evolved into the Partnership for Change: Promoting Value in Hospital Care. Staff has been talking with large corporations and union trusts throughout the state trying to recruit endorsements for the Partnership for Change. CalPERS currently has 20 entities that have signed up to support this initiative. These entities represent about 4.6 million lives, including CalPERS members. There are at least another 25 that have expressed interest in joining.

The CalPERS-sponsored Health Care Purchasers' Conference is scheduled for September 21st, from 1:00-5:00 p.m. It will be held at Lincoln Plaza North, Room 1140. The Conference will be followed by a reception in the Lincoln Plaza First Floor Courtyard from 5:00 – 7:00 p.m.

AGENDA ITEM 5 - 2005 - 2006 HEALTH PLAN QUALITY REPORT

As an information item, Sue Kane, Manager, HMO Contracts Unit, presented an overview of the CalPERS 2005 – 2006 Health Plan Quality Report. This annual report is part of the Open Enrollment materials and is available to members upon request, using a postage-paid order card included in the annual Health Plan Statement sent to all members. Ms. Kane highlighted results of the CalPERS Health Plan Member Satisfaction Survey and trends in our health plans' Effective Care Measures.

AGENDA ITEM 6 – STATUS OF STRATEGIC PLAN INITIATIVES

As an information item, Jan Howard, Acting Chief, Health Policy Unit, presented an update on the six new and expanded strategic initiatives for the CalPERS Health Program that were adopted by the Board in December 2004:

- Disease Management
- High-Intensity Case Management
- Member Engagement
- Member Incentives
- Centers of Expertise
- Telemedicine

Ms. Howard reported progress to date on each of the initiatives, some of which have been integrated into our programs and contracting processes. Other initiatives will require longer term efforts and further research.

Representatives from Blue Cross of California provided a presentation on the telemedicine pilot program that will be implemented for the PERSCare and PERS Choice basic plans, beginning January 1, 2006.

AGENDA ITEM 7 – PROPOSED EXTENSION OF SELF-FUNDED HEALTH PLANS MEDICAL ADMINISTRATOR CONTRACT

Richard Krolak, Chief, Office of Health Policy and Plan Administration, presented staff's proposal and recommendation to extend the current Blue Cross of California third party administrator contract for the Self-Funded Health Plans, for one additional year (through 2007) and issue a Reguest for Proposal in 2006.

On **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, the Committee recommends the Board approve the extension of the current Blue Cross contract for on additional year (through 2007) and issue a Request for Proposal in 2006.

AGENDA ITEM 9 – UPDATE ON REQUEST FOR PROPOSAL: PHARMACY BENEFITS MANAGER FOR SELF-FUNDED PLANS

As an information item, Richard Krolak, Chief, Office of Health Policy and Plan Administration, gave an update on the Request for Proposal (RFP): Pharmacy Benefits Manager for the Self-Funded Plans. As part of the evaluation process, staff is conducting site-visits to the semi-finalists. The Health Benefits Committee will conduct semi-finalist interviews at a special session on October 18, 2005.

Ramon Castellblanch, California Faculty Association, spoke on this item.

AGENDA ITEM 10 - HEALTH BENEFITS COMMITTEE CALENDAR FOR 2006

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, presented the proposed 2006 Health Benefits Committee Calendar.

On **MOTION** by Priya Mathur, **SECONDED** and **CARRIED**, the Committee recommends the Board approve the proposed 2006 Health Benefits Committee Calendar.

AGENDA ITEM 11 – ASSISTANT EXECUTIVE OFFICER REPORT

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, provided information regarding recent news articles on the lawsuit against Caremark. CalPERS has initiated a comprehensive audit of Caremark that will be conducted using both internal and external auditors, including the Office of Audit Services, and internal and external legal resources. Results of the audit will be presented to the Finance and Health Benefits Committees.

AGENDA ITEM 12 – PROPOSED AGENDA FOR OCTOBER 18, 2005, HEALTH BENEFITS COMMITTEE MEETING

The proposed agenda for the October 18, 2005, Health Benefits Committee was accepted with the following revisions:

- The Health Benefits Committee will start at 9:00 a.m. or upon adjournment of the Benefits and Program Administration Committee.
- Medicare Part D Implementation will be added as an agenda item.
- The special session to conduct semi-finalist interviews for the Self-Funded Plans' pharmacy benefits manager will start at 9:30 a.m., or upon adjournment of the Health Benefits Committee.

The Health Benefits Committee recessed into closed session at 1:00 p.m. Open session reconvened at 2:20 p.m.

AGENDA ITEM 8 – MEDICARE PART D IMPLEMENTATION

Richard Krolak, Chief, Office of Health Policy and Plan Administration, presented several alternatives and staff's recommendations regarding distribution of the employer subsidy to the State and contracting agencies. The Health Benefits Committee directed staff to provide further analysis of these alternatives as well as research and analyze additional alternatives for the Committee's review at the October 18th meeting.

Mike Richard, California State Employees' Association, Retired Division, spoke on this item.

AGENDA ITEM 13 – PUI	BLIC	СОММ	ENTS
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There were no public comments.

The meeting was adjourned at 2:30 p.m.

The next meeting of the Committee is scheduled for October 18, 2005, in San Diego, California, following adjournment of the Benefits and Program Administration Committee.

FRED BUENROSTRO
Chief Executive Officer